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# BUSINESS OUTLOOK

*for West Michigan*



W.E. Upjohn Institute for Employment Research  
Vol. XXX, No. 4 December 2014

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# BUSINESS OUTLOOK

## for West Michigan

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EMPLOYERS ASSOCIATION OF WEST MICHIGAN



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## Have We Fully Recovered from the Great Recession?

by George A. Erickcek

The Great Recession officially ended in June 2009, more than five years ago. However, it was not until May of this year that employment nationwide returned to prerecession levels. Still, the national labor force has grown by nearly two million persons since December 2007, the start of the recession, so many more jobs will have to be created before employment conditions nationwide will have fully recovered. This is particularly the case as many working-age adults dropped out of the workforce during the recession and, it is hoped, will be returning given the improving labor market.

In west Michigan's six metro areas, the story is mixed. First, unlike the numbers for the nation, which have recovered to 2007 levels, the number of people in the labor force in the six west Michigan metro areas has fallen by more than 23,000 since 2007. It is unknown what percentage of these individuals moved out of the area, retired, or simply dropped out of the workforce. On the plus side, the number of jobs has increased by 21,500 since 2007. In other words, the ratios between the numbers of individuals employed in the metropolitan statistical areas (MSAs) and the labor forces of the MSAs have increased.

More jobs in smaller labor markets would suggest that employment conditions have indeed improved. However, as shown in the table below, the employment gains are concentrated in only the Grand Rapids–Wyoming MSA and the smaller Holland–Grand Haven MSA. Employers in those two MSAs have added more than 34,000 employees since 2007. At the same time, the labor force in the two MSAs has increased by 7,800 individuals.

The employment situation in the region's other MSAs is not so promising. Employment in the Battle Creek MSA is slightly above its prerecession 2007 levels. However, in the

Kalamazoo–Portage MSA, employment is still down 6,500 from 2007; in the Niles–Benton Harbor MSA, it is down by more than 4,100; and in the Muskegon–Norton Shores MSA, it is still short of its prerecession level by 2,600 workers. In all four of these MSAs, the labor force has shrunk, especially in the Kalamazoo–Portage MSA, where the labor force is down by 13,000 workers.

The table also shows that employment levels in construction, manufacturing, and government are still down from 2007—all of the employment growth has been in the service-providing sectors. Again, the employment gains in the service-providing sectors are concentrated in the Grand Rapids–Wyoming MSA and the Holland–Grand Haven MSA.

While the recession was indeed harsh, it is also important to remember that employment conditions during the first decade of the new millennium were not kind to west Michigan. From 2000 to the just-finished third quarter, employment was down by more than 16,000 jobs. Again, only the Grand Rapids–Wyoming MSA was above water.

In summary, it can be said that Grand Rapids and Holland have recovered from the recession, although the jobs that have been created are in different sectors and require different skills than those that were lost. This possible talent mismatch could partially explain the continuously low labor participation rates in west Michigan as well as in the nation. The working-age population of the six MSAs in west Michigan increased by 2.0 percent from 2007 to 2012, suggesting a drop in the region's employment-to-population ratio.

**Change in Employment and Labor Force**

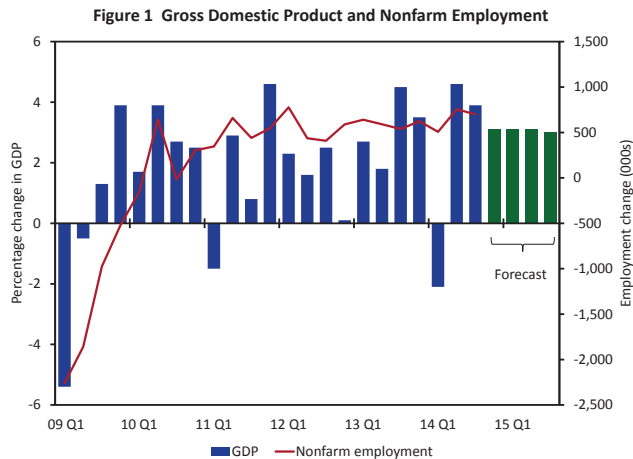
Employment	Battle Creek	Grand Rapids–Wyoming	Holland–Grand Haven	Kalamazoo–Portage	Muskegon–Norton Shores	Niles–Benton Harbor	West Michigan
Change in Employment and Labor Force, 2007 to 3rd Quarter 2014							
Total employment	260	29,620	4,860	–6,550	–2,580	–4,160	21,450
Construction	–490	–660	–420	–1,130	–110	–580	–3,390
Manufacturing	–60	–590	210	–2,920	130	–2,110	–5,340
Service providing	310	33,550	3,980	–1,250	–800	–1,520	34,270
Government	500	–2,680	1,090	–1,250	–1,800	50	–4,090
Labor force	–4,300	7,520	280	–13,040	–5,650	–8,010	–23,200
Change in Employment and Labor Force, 2000 to 3rd Quarter 2014							
Total employment	–3,180	13,810	–2,830	–11,070	–2,710	–10,870	–16,850
Construction	–850	–4,110	–1,340	–1,800	–1,070	–680	–9,850
Manufacturing	–2,190	–19,570	–8,860	–10,840	–2,210	–5,740	–49,410
Service providing	700	41,470	5,600	6,930	2,630	–4,040	53,290
Government	–840	–3,980	1,770	–5,360	–2,060	–410	–10,880
Labor force	–4,340	15,650	1,200	–9,220	–1,070	–10,240	–8,020

SOURCE: BLS employment statistic, seasonally adjusted by the Upjohn Institute.



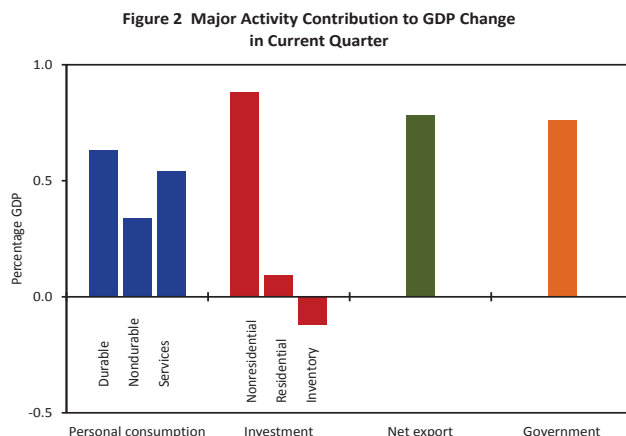
## The National Economy Enjoyed a Great Summer

The national economy performed much better than economic forecasters had predicted during the third quarter (Fig. 1). The quarter's growth was broadly based and received a strong boost from an increase in military spending.

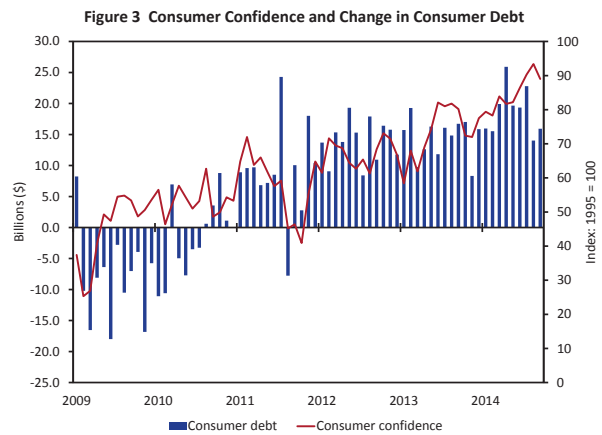


- The gross domestic product (GDP) grew at a robust 3.9 percent annual rate in the third quarter after having grown at an unsustainable annual rate of 4.6 percent in the second quarter.
- Not surprisingly, the 45 economic forecasters polled by the Philadelphia Federal Reserve Bank are predicting that the national economy will return to a more sustainable positive growth rate during the final quarter of the year and into next year.
- Employment increased by 700,000 in the third quarter, down slightly from the 755,000-job gain recorded in the second quarter. In October, employment increased by 214,000 workers.

Businesses tapped into their inventories to meet the quarter's demand for goods. The final sales of domestically produced goods and services during the third quarter grew at a 4.6 percent annual rate. The nation's manufacturers hired 121,000 more workers in the third quarter. The strong quarterly gain in employment is in line with the latest reading of the Institute of Supply Management's purchasing managers index (PMI), which rose to 59.0 in October from 56.6 in September. A reading of above 50 is associated with output growth.



Consumer spending, a sharp gain in exports coupled with a slight drop in imports, and a one-time increase in government spending drove GDP growth in the third quarter (Fig. 2).

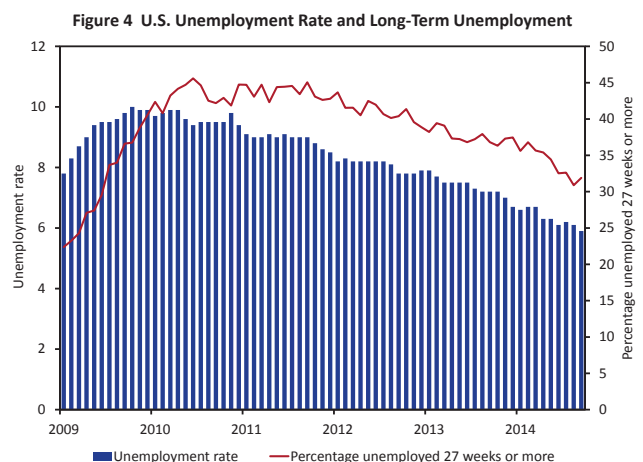


- Consumer spending accounted for 1.51 percentage points being added to the quarter's GDP growth.
- Net exports added 0.78 percentage points to the quarter's growth. A jump in exports during the quarter accounted for 0.65 percentage points of this increase; the mild drop in imports contributed another 0.12 percentage points.
- An increase in military spending contributed 0.66 percentage points.
- Business spending on structures and equipment added 0.88 percentage points to the quarter's GDP growth.

Consumer confidence continued to rise in the third quarter (Fig. 3), which fueled the quarter's moderate gain in consumer spending. Consumer spending rose at a 2.2 percent annual rate during the quarter.

- The Conference Board's consumer confidence index reached 94.5 in October, up from 89.0 in September.
- Consumers added another \$13.2 billion in consumer debt during August, which was the smallest increase since October of last year.

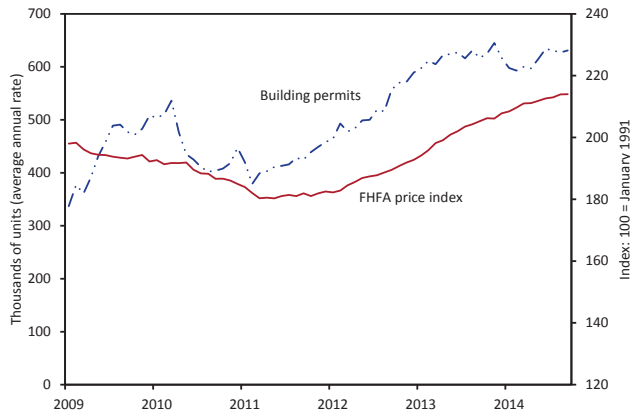
In November, the Thomson Reuters/University of Michigan overall index of consumer sentiment rose to 89.4, its highest reading since July 2007.



The nation's employment situation continues to modestly improve: the unemployment rate is inching down, and the percentage of unemployed workers who have been out of work for more than six months is shrinking (Fig. 4). Still, the nation's labor participation rate stands at 62.8 and has not changed substantially for the past six months.

- The nation's unemployment rate fell to 5.8 percent in October, down from 7.2 percent a year ago.
- In October, 32.0 percent of the nation's unemployed workers had been jobless for more than six months. This is down from 36.0 percent a year ago.

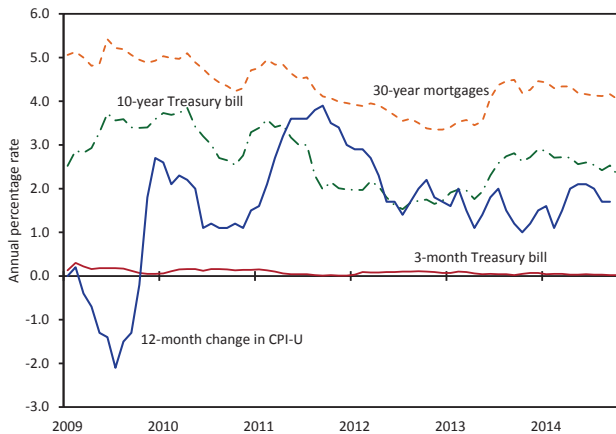
**Figure 5 Single-Family Building Permits and Index of Existing Home Prices**



The nation's housing market is slowly coming back from last winter, when harsh weather conditions stalled many housing projects throughout the nation. Sales of existing homes increased by 2.4 percent in September from the previous month, and the median price now stands at \$209,700, up 5.6 percent from a year ago, according to the National Association of Realtors. Residential construction grew at a 2.7 percent annual rate during the third quarter. Both existing home prices and the number of building permits being issued for single-family units were up during the quarter (Fig. 5).

- The seasonally adjusted number of business permits issued reached 631,000 in September, which is up only 2.0 percent from a year ago.
- Prices on existing homes increased by 4.7 percent during the 12-month period ending in August of this year.

**Figure 6 Interest Rates and Inflation**

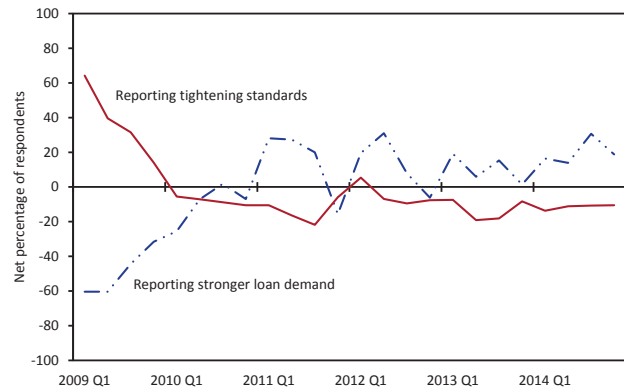


Low mortgage-interest rates continue to provide an attractive environment for home sales (Fig. 6). As expected, at the end

of October the Federal Reserve's Open Market Committee announced that it was discontinuing its bond-buying activity or "quantitative easing" efforts. At the same time, the Fed indicated that it would keep short-term interest rates at essentially zero until next summer. The federal funds rate—the rate banks charge each other for overnight loans—has hovered between 0 and 25 basis points since December 2008.

- Average 30-year mortgages have inched back down to 4.0 percent in the fall.
- Ten-year Treasuries stand at 2.3 percent, while 90-day Treasuries remain on the floor at 0.09 percent.
- The consumer price index has increased by only 1.7 percent during the past 12 months.

**Figure 7 Federal Reserve Senior Loan Officers Survey: Demand and Lending Standards for Commercial and Industrial Loans by Medium-to-Large Firms**

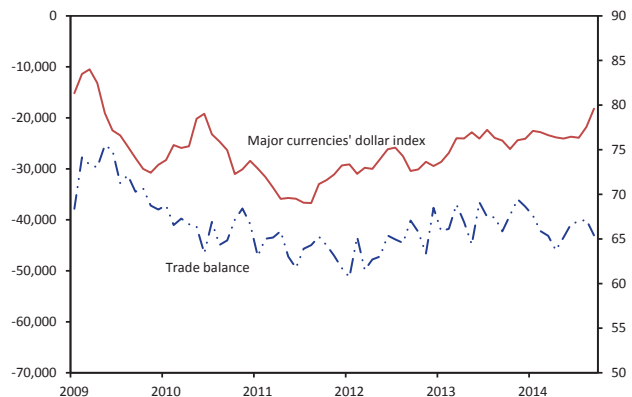


The Fed's preferred measure of inflation is the personal consumption expenditure price index, which has increased by a low 1.54 percent during the past 12 months and remains below its target rate of 2.0 percent. With inflation running below the target level, the Fed is in no hurry to cut back on the money supply and raise interest rates.

When polled by the Federal Reserve in October, senior loan officers at the nation's major banks reported that they were seeing slightly stronger loan demand and that they were continuing to modestly ease their lending standards (Fig. 7).

Finally, the value of the dollar has been slowly rising relative to other major currencies; still, the nation's trade balance continues to slowly improve (Fig. 8). During the third quarter, exports increased at a 4.9 percent annual rate, while imports fell slightly at a 0.7 percent annual rate.

**Figure 8 U.S. Trade Balance and Nominal Index of the Value of the Dollar against Seven Major Currencies**



## REGIONAL INDUSTRY OUTLOOK

### The Manufacturing Sector Still Leads the Region

Manufacturers are still hiring and pushing employment in the Great Lakes region forward. From the third quarter of 2013 to the third quarter of 2014, manufacturers in Illinois, Indiana, Michigan, Ohio, and Wisconsin added 54,300 more workers, which represents a 2.0 percent gain in their overall workforce. Total employment in the five-state region increased by just 1.0 percent during the same period. Outside the five Great Lakes states, total employment rose by 2.1 percent, while employment in manufacturing increased by a smaller 1.3 percent.

The increase in demand for manufacturing workers has pushed up average hourly earnings in the region. Overall, hourly earnings increased by 2.0 percent in the five-state region from the end of the third quarter of 2013 to the end of the third quarter of 2014. In Illinois, hourly earnings increased by 3.5 percent, compared to only a 1.0 percent bump in Michigan. Nationwide, manufacturers' average hourly earnings rose by 1.6 percent during the period. The weighted average hourly earnings for manufacturing workers in the region was \$24.23 in the third quarter, which is 24 percent higher than the national average of \$19.58 an hour.

Indiana achieved the greatest job growth in the five-state Great Lakes region during the four-quarter period: its total employment increased by 2.1 percent from the end of the third quarter of 2013 to the end of the third quarter of 2014, driven by a strong 4.6 percent jump in manufacturing employment. Wisconsin was second with a 1.5 percent employment gain for the four-quarter period.

Business representatives contacted by the regional analysts at the Federal Reserve Bank in Chicago continue to hold an optimistic outlook for the regional economy.

- Contracted retailers cited moderate consumer spending and are predicting that holiday sales could be slightly higher than last year.

- Car dealerships reported that the recent drop in gas prices, in combination with low interest rates, is boosting the sales of trucks and other large vehicles.
- Low interest rates and solid sales forecasts have convinced several contacted manufacturers, especially in the auto industry, to move forward with expansion plans. In addition, businesses are upgrading their IT systems and industrial equipment.
- The auto, aerospace, and energy industries are the major drivers in the region's manufacturing sector, with the region's auto producers building up inventories in expectation of higher future sales.
- The region's steel producers are facing strong demand, especially in specialty metals.
- Demand for agricultural, construction, and mining equipment is still soft.
- Hiring is on the rise, with production workers at many of the contacted manufacturers working overtime.
- Labor shortages for skilled workers are becoming more common, especially in manufacturing and the building trades.
- Residential construction is increasing moderately in the region; however, home sales are off, and home prices are steady.
- Demand for industrial space by auto suppliers and office space by medical providers is pushing nonresidential construction upward.
- Business loans for equipment increased, as did consumer auto lending.
- Finally, contacted business representatives reported stable prices except in the auto industry, where capacity constraints are pushing up costs. Wage pressures were also reported to be modest, except in the case of skilled workers, where there was high demand.

## OFFICE FURNITURE INDUSTRY UPDATE

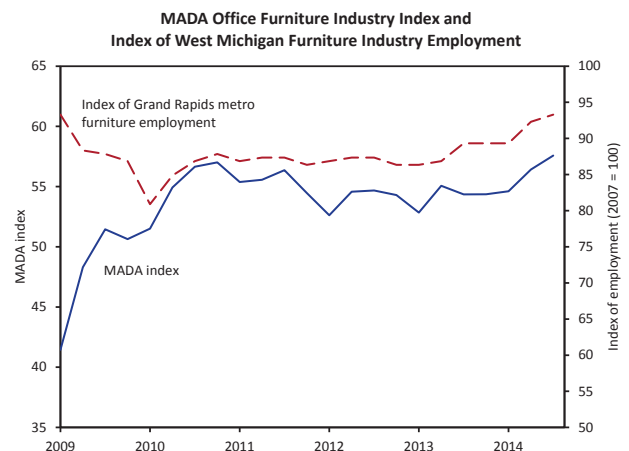
### Forecasters Trim Their Predictions, but It Is Still a Solid Year

In September, IHS Global Insight slightly revised downward its national forecast for the office furniture industry. This year, production is expected to hit \$9.7 billion, a 3.3 percent increase over last year but down from the June production forecast of \$9.8 billion. Sales are now forecast to increase to \$12.1 billion, a 4.9 percent rise from last year but down from its June forecast of \$12.3 billion. Still, 2014 is set to be the industry's best year since 2008. In 2015, production is now predicted to reach \$10.3 billion, with total sales hitting \$13.3 billion.

The latest polling of major stakeholders in the office furniture industry, conducted by Michael Dunlap, the owner and principal of Michael A. Dunlap and Associates, does not lend support to IHS Global Insight's decision to revise downward its previous forecast. Dunlap's survey-generated October index, which is based on 10 separate questions regarding employment, costs, shipments, and level of optimism, reached 57.6, which topped July's reading of 56.4 and was the highest reading since July 2007. Returned surveys indicate that employment, product development,

gross shipments, back orders, and the personal outlook of executives all rose during the three-month period from July to October. Capital expenditures fell slightly during the quarter.

In the third quarter, employment in office furniture production was up 300 jobs, or 4.4 percent, from the same quarter last year. In November, Herman Miller announced that it would be hiring up to 50 employees.



## AUTO INDUSTRY UPDATE

### Dropping Gas Prices Keep Car Sales Truckin'

Car and light truck sales cruised at an average 16.3-million-unit annual pace during the first 10 months of the year. Sales were up 5.4 percent for the first 10 months of this year over the same period last year. Light trucks are clearly driving the market; Ford's F-150 and General Motors' Silverado remain the two best-selling vehicles in the country, with Fiat Chrysler's Dodge Ram in fourth place behind Toyota's Camry. Sales of domestically produced light trucks rose by 9.4 percent, while sales of imported trucks increased by 11.5 percent. The sale of domestically produced cars, on the other hand, rose by only 1.9 percent, while sales of auto imports actually fell by 1.4 percent during first 10 months of the year compared to the same period last year.

The Detroit Three's share of the market slipped slightly during the 10-month period to 45.2 percent, down from 45.4 percent for the same period last year, according to WardsAuto.com. Ford suffered the largest decline in share as it dropped a full percentage point, from 15.8 percent to 14.8 percent. General Motors' sales increased by 3.9 percent; still, its share dipped slightly, from 18.1 percent to 17.8 percent. Finally, Fiat Chrysler's share rose between the two periods, from 11.5 percent to 12.6 percent, as its sales jumped by 15.3 percent. Toyota and Nissan gained share, while Honda slipped. Overall, Asian car producers enjoyed a 6.8 percent increase in sales and a gain of market share from 45.4 percent to 45.9 percent.

### You Should Have Bought Your Car Last Month

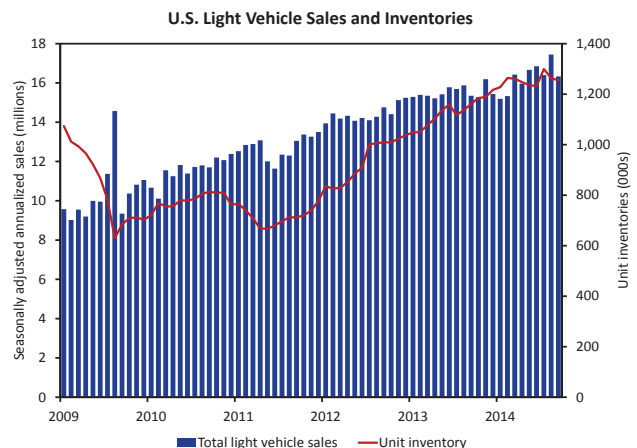
According to TrueCar.com, in October, the average transaction price for a new vehicle was \$32,957, and this figure was up 2.4 percent from a year ago and 2.7 percent from a month ago. With pent-up demand building, auto companies do not have to be as generous with their incentives. Sale incentives for October averaged \$2,630, and the ratio of incentives to transaction price fell to 7.9 percent in October from 9.3 percent in September.

Analysts suggest that there are several reasons why overall car prices are starting to rise. First, consumers are buying bigger vehicles. Crossover vehicles and large sport utility vehicles (SUVs), such as the Lincoln Navigator, are moving quickly out of showrooms. Second, consumers are buying more features with their vehicles, including rear-view cameras and entertainment packages which are now being included in the standard package. Also, the manual window crank handle may be gone. Third is the availability of cheap financing and the use of longer-term loans to afford cars that now cost more. According to Experian Automotive, 25 percent of the loans made for new car purchases in the first quarter of this year were 73–84 months long. According to Edmunds.com, the average new-car loan in October was 67 months.

### GM Is Reaching Out to Its Suppliers

General Motors, as well as Ford and Fiat Chrysler, has had rocky relationships with its suppliers, especially when

compared to Toyota or Honda. To address this, GM has started to issue multiple-generation contracts—where the supplier makes parts for a vehicle during several model years—for its vehicle programs, and in doing so it is reducing its supply base on a global scale. In the past, suppliers provided parts for vehicles in regional markets. The automaker is hoping that giving a select few of its first-tier suppliers larger and longer contracts on globally distributed vehicles will allow suppliers to better plan the delivery of their products. However, old relationships are hard to forget, and it is reported that several of its suppliers are wary of signing a long-term contract, fearing that they could be stuck with excess capacity if GM returns to its old ways of shopping around for suppliers. Still, long-term contracts are becoming the norm, according to a recent survey of suppliers by IRN Inc. The Grand Rapids-based firm found that two-thirds of the responding suppliers claimed that General Motors, Ford, and Fiat Chrysler are all now offering long-term contracts.



### Good Relations or Not, Parts Shortages May Become a Problem

In the same survey, IRN Inc. found that 42 percent of the responding suppliers worry that they could hit their capacity limits if orders exceed 17 million during the next year. And this limited capacity may indeed become a factor, as IRN is predicting production levels will hit 17.3 million in 2015. However, forecasters at the University of Michigan are predicting that sales will reach only 16.6 million in 2015 and 17.0 million in 2016, so suppliers may have time.

The survey findings also indicate that suppliers are being squeezed, as the automakers recently asked for an average cost reduction of 3.1 percent in the price of their products. The suppliers countered with an offer to make a smaller 1.2 percent reduction in cost. However, even that may prove difficult, as IRN's material price survey found that raw-material prices are expected to continue to rise next year. In particular, plastics, steel, and aluminum are expected to increase by as much as 10 percent.

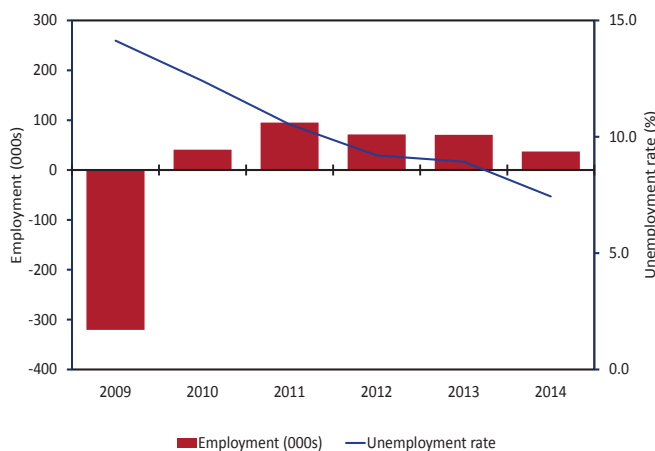


# STATE OF MICHIGAN ECONOMY

## The State Enjoyed a Great Third Quarter

Total employment in the state increased by 0.6 percent during the third quarter of the year, a gain of nearly 25,000 jobs. Employment gains were reported across many of the state's major sectors, with only wholesale trade and professional and business services reporting modest declines. Despite the quarter's moderate gain in employment, the state's unemployment rate only inched down to 7.4 percent for the quarter from 7.5 percent in the previous quarter. The state's economic indicators were positive during the quarter, which suggests that employment conditions will remain positive in the coming months.

**Michigan Employment Change and Unemployment Rate**  
(3rd quarter to 3rd quarter, seasonally adjusted)



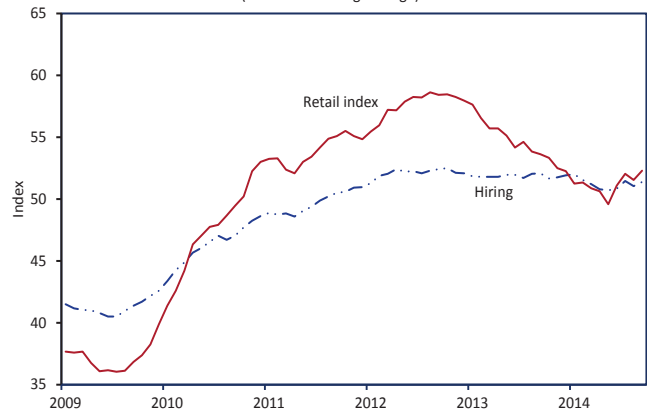
Employment in the state's goods-producing sector grew by a strong 1.2 percent during the quarter. Employment in the state's construction industry was up a modest 0.6 percent during the quarter, which is in line with the 20.3 percent increase in the number of new dwelling units put under contract for construction during the period. Employment in construction is up 3.4 percent during the past four quarters.

The state's manufacturers added nearly 7,500 jobs during the quarter, a 1.3 percent increase. Manufacturing employment is up by 2.3 percent, or nearly 13,000, from the third quarter of last year. Moreover, the gains were not limited to the state's automotive sector, where employment increased by 1.7 percent during the quarter. In fact, employment at the state's automakers fell by 6.4 percent, while employment in its large supplier network increased by 5.4 percent.

General Motors announced that it is laying off approximately 510 production workers at its plants in Lansing and metro Detroit. The 160 workers being cut at its metro Detroit plant are losing their jobs because of weak demand for GM's smaller Chevrolet Sonic and Buick Verano models. Reports indicate that the 350 production workers getting pink slips at its Lansing operation are being laid off only temporarily. On the other hand, Ford announced that it would be adding 850 production workers at its River Rouge Complex as production of the new aluminum-body F-150 truck starts in full.

Recent business news regarding the state's auto parts suppliers is positive as well. For example, LTC Roll & Engineering Co. announced that it is investing nearly \$8.6 million in an expansion and creating 90 jobs at its St. Clair County plant. Mando America Corp., a manufacturer of automotive braking, steering, suspension, and chassis controls, is adding 25 workers to operate a new facility built with a \$13.4 million investment.

**Retail Activity in Michigan**  
(12-month moving average)

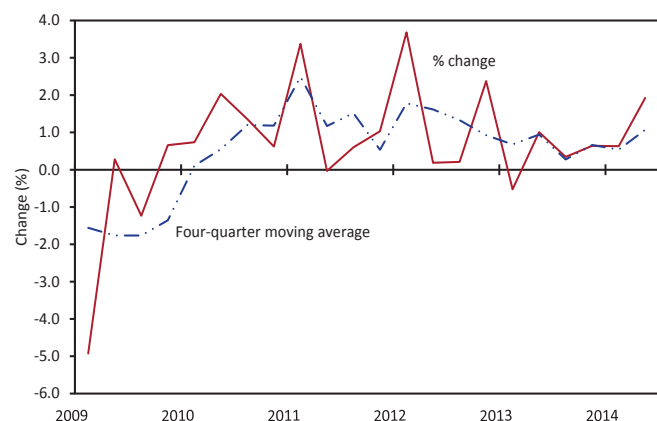


NOTE: Index = % reporting an increase in sales + [0.5 x (% reporting no change)].

Overall, it is reported that Michigan has captured 25 percent of all auto industry investment in North America during the past four years. This includes Chrysler's \$1 billion investment at its Sterling Heights plant and the \$449 million that GM has invested at two of its plants in the state. The state's major tier-1 suppliers have announced investments of just under \$5 billion during the same period, which will create 28,000 jobs, according to the Center for Automotive Research.

Employment in the state's service-providing sector increased by 0.5 percent during the third quarter, a gain of nearly 15,000 jobs. Employment gains were reported across all of the major service-providing subsectors with the exceptions of wholesale

**Michigan Personal Income Growth**



## Michigan Statistics (seasonally adjusted)

Measure	2014 Q3	2014 Q2	% change, Q2 to Q3	2013 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	4,149,300	4,124,520	0.6	4,109,420	1.0
Goods-producing	715,030	706,520	1.2	696,960	2.6
Natural resources and mining	8,700	8,430	3.2	7,930	9.7
Construction	137,300	136,530	0.6	132,770	3.4
Manufacturing	569,030	561,560	1.3	556,260	2.3
Durable goods	432,630	426,130	1.5	421,030	2.8
Nondurable goods	136,400	135,430	0.7	135,230	0.9
Private service-providing	2,833,800	2,819,170	0.5	2,813,930	0.7
Trade, transportation, and utilities	758,130	752,700	0.7	745,430	1.7
Transportation and utilities	136,500	130,470	4.6	125,000	9.2
Wholesale trade	164,430	165,030	-0.4	163,600	0.5
Retail trade	457,200	457,200	0.0	456,830	0.1
Information	57,770	56,130	2.9	55,470	4.1
Financial activities	198,000	198,070	0.0	203,070	-2.5
Professional and business services	603,170	603,600	-0.1	603,830	-0.1
Educational and health services	638,030	636,170	0.3	637,900	0.0
Leisure and hospitality	407,070	402,930	1.0	396,600	2.6
Other services	171,630	169,570	1.2	171,630	0.0
Government	600,470	598,830	0.3	598,530	0.3
<b>Unemployment</b>					
Number unemployed	351,490	354,540	-0.9	420,480	-16.4
Unemployment rate (%)	7.4	7.5		8.9	
<b>State indexes (1996 = 100)</b>					
<b>Local components</b>					
UI initial claims	10,466	12,299	-14.9	11,617	-9.9
New dwelling units <sup>a</sup>	17,763	14,764	20.3	14,584	21.8

NOTE: Employment numbers for durable and nondurable goods, transportation and utilities, wholesale trade, and retail trade are seasonally adjusted by the W.E. Upjohn Institute. Other numbers are seasonally adjusted by the Bureau of Labor Statistics. Categories may not sum to total because of rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

trade (which was down 0.4 percent) and professional and business services (which inched down a scant 0.1 percent for the quarter). The state's transportation and utilities sector added nearly 6,000 jobs, a large 4.6 percent increase. In addition, the state's leisure and hospitality sector increased by 4,100 workers during the quarter, a 1.0 percent increase, and the state's smaller information-technologies sector added 1,600 jobs.

Retail employment remained unchanged in the quarter and is up only 0.1 percent for the year. This is somewhat surprising, as the monthly survey of retailers conducted by the Chicago Federal Reserve in association with the Michigan Association of Retailers has shown a noticeable increase in statewide retail activity since June. Still, while the survey suggests that there has been improving retail activity since June, the Fed's hiring index remained relatively unchanged.

The state's retail sector is being supported by a steady increase in personal income. Personal income increased by 1.9 percent in the second quarter, on top of a 0.6 percent gain in the first quarter. Personal income increased by 3.6 percent from the end of the second quarter of 2013 to the end of the second quarter of 2014.

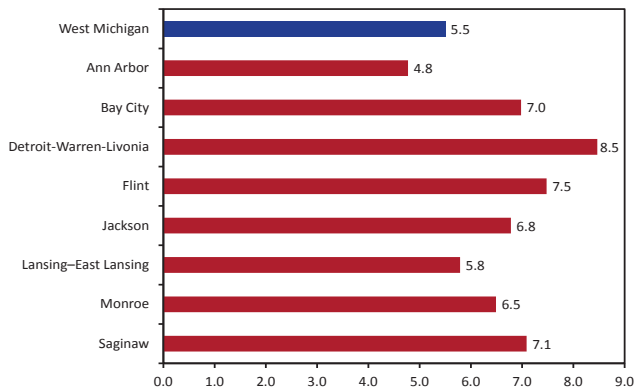
The state economic indicators were positive during the third quarter. The number of new claims for unemployment insurance fell by nearly 15 percent in the quarter, suggesting that employment conditions are improving. And, as mentioned previously, the number of new residential housing starts was up by 20.3 percent during the quarter. Comerica Bank's Michigan economic activity index grew by 0.2 percentage points to 120.4 in August and now stands 47 points above its cyclical low. Of the index's eight components, six improved or held constant during the quarter.

# WEST MICHIGAN ECONOMY

## Modest Growth in Third Quarter

*Employment in West Michigan grew by 0.3 percent, a gain of nearly 2,500 jobs, on increases in goods-producing and government employment. The unemployment rate dropped to 5.5 percent from 5.9 percent the quarter before. The area's economic indicators were positive, suggesting job growth will continue through the coming months.*

Unemployment Rate in Other Michigan Metropolitan Areas  
(Q3 2014, seasonally adjusted)



The region's unemployment rate dropped to 5.5 percent with a decline of nearly 4,000 people from the ranks of the unemployed. In past quarters, the number of unemployed workers had been holding steady even as employment grew because of people reentering the labor force without finding work. However, now the labor force contains fewer unemployed people, and the unemployment rate is nearly two full points down from the third quarter of 2013.

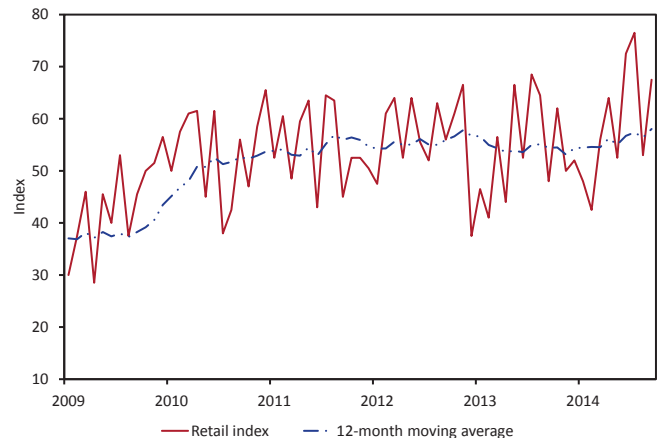
The region's unemployment rate of 5.5 percent is second only to that of Ann Arbor, which dropped below 5.0 to 4.8 in the third quarter. Lansing-East Lansing posted a close third-place rate of 5.8. West Michigan's unemployment rate as a whole also compares favorably to the national unemployment rate during the third quarter, which was 6.1.

Goods-producing employment increased by 0.9 percent, or more than 1,700 jobs, during the third quarter. Construction and mining increased by 1.7 percent, and manufacturing grew by 0.8 percent. The growth from the second to the third quarter was good, but the yearly increase from the third quarter of 2013 was also impressive—the sector grew by a strong 4.5 percent, including a nearly 10 percent increase in construction and mining employment. Manufacturing increased by 3.6 percent during the four quarters, or more than 5,610 jobs.

Private service-providing employment declined very slightly, dipping just 0.1 percent. All the industries in the private-services sector increased or held steady with the exception of professional and business services, which declined by nearly 3,300 jobs over the quarter, a 2.8 percent drop. The business services industry contains temporary staffing agencies, and

it is possible that the industry declines were from temporary workers' being hired outright by their firms and therefore reclassified into that industry. Conversely, it is possible that businesses are relying less on temporary staffing agencies and hiring directly. Leisure and hospitality employment increased by 1.7 percent over the quarter and is up 10.1 percent from the same time in 2013. The leisure and hospitality industry is up nearly 8,000 jobs since the third quarter of 2013.

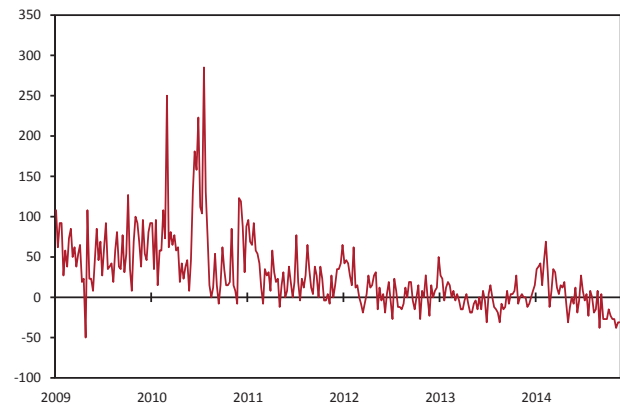
Retail Activity in West Michigan



Retail employment was flat during the quarter and off by 0.4 percent from the same quarter last year. The Chicago Federal Reserve and Michigan Retailers Association's activity index tells a different story from that of the employment numbers: after a flat 2013, retail in 2014 has been rising, and its peak, occurring in the month of July, represented the highest point since the end of the recession. Employment may be lagging behind the increase in sales and could jump in the fourth quarter.

Government employment is up by 1.5 percent in the third quarter but is up by only 0.2 percent from the previous year.

Relative Percentage Change in Interest in the Google Search Topic  
"Welfare and Unemployment" in West Michigan



Google searches on social welfare and unemployment have been trending down all year. Google search data are not seasonally adjusted and so normally we would expect the



## West Michigan (6 MSAs) Statistics (seasonally adjusted)

Measure	2014 Q3	2014 Q2	% change, Q2 to Q3	2013 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	855,200	852,750	0.3	832,170	2.8
Goods-producing	195,200	193,420	0.9	186,740	4.5
Construction and mining	31,680	31,160	1.7	28,830	9.9
Manufacturing	163,520	162,260	0.8	157,910	3.6
Private service-providing	562,770	563,540	-0.1	548,380	2.6
Trade, transportation, and utilities	146,460	145,860	0.4	145,040	1.0
Retail trade	84,740	84,760	0.0	85,080	-0.4
Information (5 MSAs) <sup>a</sup>	7,410	7,310	1.4	7,280	1.8
Financial activities	39,190	38,900	0.7	38,920	0.7
Professional and business services	112,440	115,730	-2.8	110,090	2.1
Educational and health services	136,690	136,610	0.1	134,330	1.8
Leisure and hospitality	85,660	84,240	1.7	77,780	10.1
Other services	34,920	34,890	0.1	34,940	-0.1
Government	97,230	95,790	1.5	97,050	0.2
<b>Unemployment</b>					
Number unemployed	52,070	55,800	-6.7	67,280	-22.6
Unemployment rate (%)	5.5	5.9		7.4	
<b>Local indexes</b>					
UI initial claims	1,208	1,262	-4.3	1,613	-25.1
New dwelling units <sup>b</sup>	4,201	3,465	21.2	3,378	24.4

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Information employment data are not available for Battle Creek MSA.

<sup>b</sup> Seasonally adjusted annual rates. Van Buren County is not included.

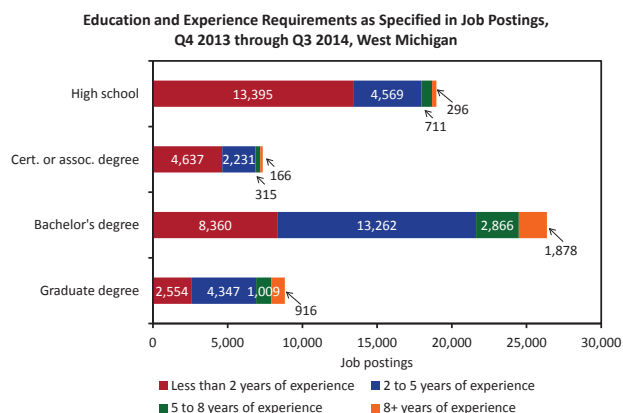
SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

index to begin rising or at least flattening as the end of the year approaches. However, the trend appears determinately downward since peaking last January.

Starting with this issue, each quarter we will address a different aspect of the region's demand for labor using online jobs data from Burning Glass Labor/Insight. This quarter we examine the demand for labor based on education attainment and experience. As shown in the accompanying chart, employers' demand is strongly divided between requiring only a high school degree (almost 19,000 job postings) and a bachelor's degree (approximately 26,300 postings). Of the job openings that specify education requirements (roughly half of all job postings specified a required level of education), only 12 percent called for a certificate or associate degree. Of the job postings seeking someone with only a high school degree, 70 percent were available for persons with less than two years of experience. Conversely, nearly 70 percent of the job postings for someone with a bachelor's degree required more than two years of experience.

It should be noted that employers specify educational attainment and years of experience on only 52 percent of the job postings captured by Burning Glass. While specific requirements may not be necessary for each posting, the

omission of such information may make it difficult for job seekers and employers to get matched up.

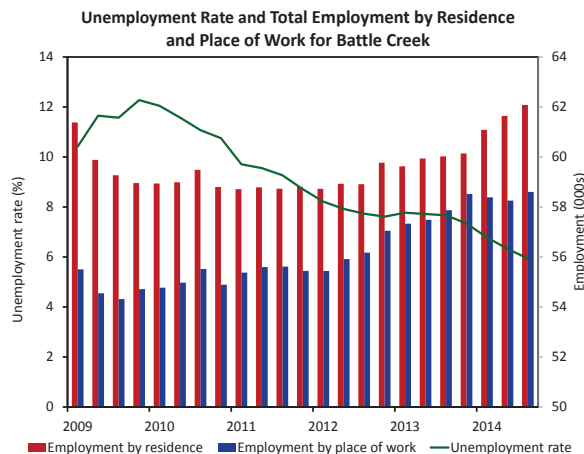


SOURCE: Burning Glass International Inc. (2014).

The region's economic indicators were positive, suggesting employment will continue to grow through the end of the year. New unemployment insurance claims were down by 4.3 percent over the quarter and are down a much more impressive 25.1 percent from the third quarter of 2013. The rate of new dwelling units picked up by 21.2 percent.

## Private-Sector Growth Drives Third Quarter

The Battle Creek MSA had a good third quarter, registering employment growth of 1.0 percent, a gain of nearly 600 jobs. The area unemployment rate dropped below 6.0 percent for the first time since 2002. Unfortunately, the area's economic indicators were mixed, suggesting little change in the coming months.



As shown in the figure above, employment by residency has grown steadily since the fourth quarter of 2013. The number of employed residents climbed by 3.4 percent, a gain of 2,000 jobs in the four-quarter period ending with the third quarter. The gain in residential employment pushed the unemployment rate down to 5.9 percent, a level not seen since 2002. Employment by place of work has been up and down over the same period, suggesting Calhoun County residents are finding work outside the area.

Goods production employment grew by 2.0 percent in spite of a dip in construction employment. Durable goods production had a great quarter, posting a 3.0 percent gain, or more than 200 jobs. Nondurable goods held steady, but employment is up by 1.3 percent from the same quarter in 2013. Denso held a job fair in August to hire 150 temporary workers. Cosma Casting Michigan announced plans to move into the vacant United Solar Ovonic site and hire 80 workers over the next 12 months. Marley Precision Inc. has announced a \$3 million investment in a second facility at Fort Custer Industrial Park, but no specific job numbers are currently known.

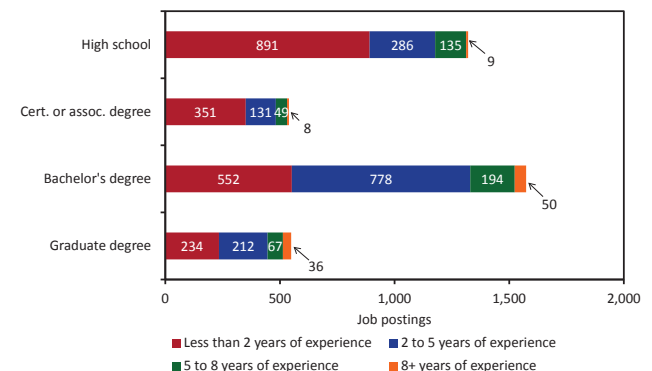
Services also had a good quarter, posting a 1.0 percent gain across nearly all industries. Employment in financial activities and leisure and hospitality were up by 5.3 percent or 70 jobs and 3.5 percent or 170 jobs, respectively. Retail and other services were the only industries to mark a decline in the third quarter. Retail was down 1.7 percent from the third quarter of 2013. Starr Commonwealth has reorganized its Albion campus and is hiring an outside company to manage the residential facility and school. The reorganization will mean the loss of 80 jobs.

Government employment dipped by 0.3 percent, or 30 jobs, over the third quarter. Government employment is down 1.7 percent from the same period in 2013.

Starting with this issue, each quarter we will be changing which aspect of online job postings we discuss. This quarter, the figure from Burning Glass Labor/Insight (a report-generating application that accesses jobs data) shows labor demand by educational attainment and experience. There were more than 1,500 job postings in the last year looking for applicants with a bachelor's degree, and the majority of them, 778 postings, required from two to five years of experience. There were nearly the same number of opportunities for holders of certificates or associate's degrees as there were for those with graduate degrees.

Unfortunately, the sample is missing the majority of job postings because of a lack of information on education or experience. Overall, 52 percent of the jobs posted online did not specify their requirements, which may have caused applicants to miss opportunities or apply for positions that they would be unlikely to fit.

**Education and Experience Requirements as Specified in Job Postings, Q4 2013 through Q3 2014, Battle Creek MSA**



SOURCE: Burning Glass International Inc. (2014).

The area's economic indicators were mixed during the third quarter, suggesting that conditions may slow in the coming months. New unemployment insurance claims grew slightly in the third quarter after falling steadily for the past two quarters. The annualized rate of construction of new dwelling units picked up during the quarter to 42 units per year, a jump of 250 percent. However, the large jump is from a relatively small base. While new unemployment claims are at a historic low, construction of new dwelling units is unfortunately at a similar low.

**Battle Creek MSA**  
(seasonally adjusted)

Measure	2014 Q3	2014 Q2	% change, Q2 to Q3	2013 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	58,340	57,770	1.0	57,500	1.5
Goods-producing	13,970	13,700	2.0	13,220	5.7
Construction and mining	1,610	1,620	-0.6	1,560	3.2
Manufacturing	12,360	12,080	2.3	11,660	6.0
Durable goods	9,200	8,930	3.0	8,540	7.7
Nondurable goods	3,160	3,150	0.3	3,120	1.3
Private service-providing <sup>a</sup>	34,110	33,780	1.0	33,840	0.8
Trade, transportation, and utilities	9,270	9,220	0.5	9,200	0.8
Retail trade	5,960	6,010	-0.8	6,060	-1.7
Financial activities	1,380	1,310	5.3	1,310	5.3
Professional and business services	6,160	6,130	0.5	6,220	-1.0
Educational and health services	10,440	10,410	0.3	10,410	0.3
Leisure and hospitality	4,680	4,520	3.5	4,520	3.5
Other services	2,180	2,190	-0.5	2,180	0.0
Government	10,260	10,290	-0.3	10,440	-1.7
<b>Unemployment</b>					
Number unemployed	3,930	4,160	-5.5	4,990	-21.2
Unemployment rate (%)	5.9	6.3		7.7	
<b>Local indexes</b>					
UI initial claims	127	123	3.3	148	-14.2
New dwelling units <sup>b</sup>	42	12	250.0	37	13.5

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Data for information services is included in the "other services" sector.

<sup>b</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

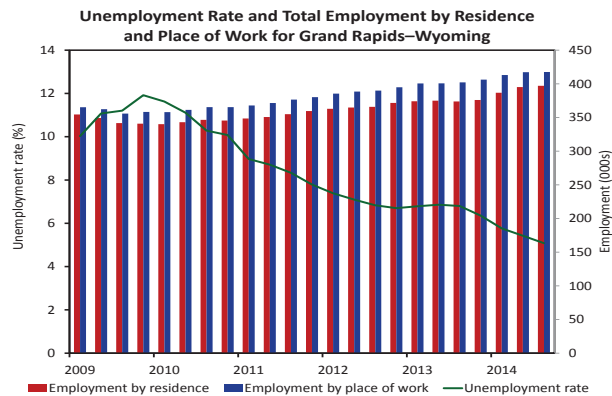
**Battle Creek MSA**  
**Industry Employment Change by Place of Work, First Quarter to First Quarter**  
(not seasonally adjusted)

Industry	2014 Q1	2013 Q1	Percent change	Industry	2014 Q1	2013 Q1	Percent change
<b>Goods-producing</b>				Arts, entertainment, and recreation	410	460	-10.9
Food manufacturing	1,410	2,180	-35.3	Accommodation and food services	3,810	3,740	1.9
Fabricated metal products mfg.	2,020	1,930	4.7	Food services and drinking places	3,480	3,390	2.7
Transportation equipment mfg.	4,960	4,550	9.0				
<b>Private service-providing</b>				<b>Government</b>			
Professional and technical services	2,510	2,470	1.6	Federal government	2,870	2,950	-2.7
Administrative and support services	2,430	2,410	0.8	State government	420	420	0.0
Educational services	1,170	1,350	-13.3	Local government	6,920	6,940	-0.3
Health care and social assistance	8,700	8,630	0.8				
Ambulatory health care services	2,890	3,020	-4.3				

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.

## Service Employment Decline Blunts Growth

*Employment in the Grand Rapids–Wyoming MSA held steady, declining only 0.1 percent in the third quarter. Still, the area's unemployment rate dropped from 5.4 percent in the second quarter to 5.1 percent in the third quarter. Fortunately, the area's economic indicators were positive, suggesting job growth will return in the coming months.*



Employment by establishment had an uncharacteristic decline this quarter. However, the number is so small that growth is more accurately considered to be flat. The figure shows employment by place of work (in blue) growing slowly but steadily since the end of the Great Recession. The red bars show the number of employed residents, which increased by 0.5 percent in the quarter. It was the increase in employed residents that pushed the area's unemployment rate down. The quarter's unemployment rate was the lowest rate since 2001.

Manufacturing grew by 0.3 percent, or more than 200 jobs, over the quarter. Employment gains occurred in both durable and nondurable goods manufacturing. Construction employment grew by 1.0 percent and is up over 13.0 percent from the same time last year. Construction news is positive, as developers have announced that several mid-to-large-sized apartment developments would be built, totaling about 450 new residential units. Across the region, manufacturers have announced several long-term expansion plans. Dicastal North American plans on adding 300 jobs over four years. INglass USA will be adding 109 jobs over four years, and Plasan Carbon Composites will be adding 620 jobs over the next three years. In the shorter term, Profile Industrial Packaging will add 50 jobs. Compositetech is expanding in Lowell, adding 50 jobs. Unfortunately, Dematic laid off 75 workers because of a seasonal downturn.

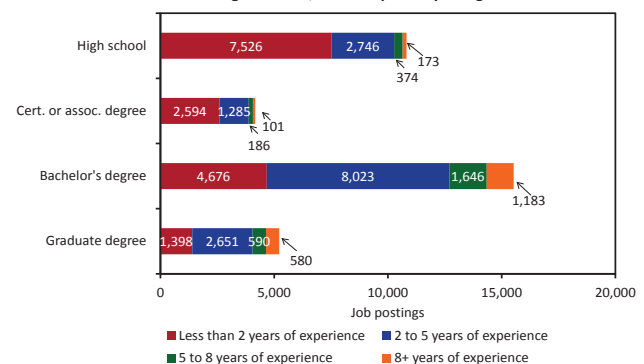
Service-providing employment declined by 0.4 percent owing primarily to a 4.0 percent plunge in professional and business sector employment. Temporary staffing jobs are considered to be a business service regardless of the industry in which the workers are placed. The decline in business-service employment may have been caused by these temp workers being hired permanently. The employment situation

in the sector may improve in the near future. Teleperformance announced 100 new call-center jobs, and temporary staffing agency Manpower held a job fair for 400 positions. Slight dips also occurred in wholesale and in educational and health services. Employment in the information industry grew by 1.4 percent, and news was good in software and IT. Data Strategy announced the creation of 10 to 15 new jobs, and the software firm SalesPad added 25 sales positions. Finally, brewery news has surfaced again this quarter as New Holland Brewing is adding a Grand Rapids location and Founders is planning an expansion to reach national markets.

Government employment increased by 2.1 percent but remains 0.6 percent below the same period in 2013.

Starting with this issue, each quarter we will be changing which aspect of online job postings we discuss. This quarter, the figure from Burning Glass/Labor Insight shows labor demand by educational attainment and experience. Bachelor's degrees were the most requested educational qualification: Over 43 percent of postings required a four-year degree, though there were twice the number of postings requiring two to five years of experience as there were entry-level positions. About 45 percent of postings required less than two years of experience, but the majority of those positions required less than a bachelor's degree. For those with at least a bachelor's degree, there are many more opportunities after a job seeker has acquired some experience.

**Education and Experience Requirements as Specified in Job Postings, Q4 2013 through Q3 2014, Grand Rapids–Wyoming MSA**



SOURCE: Burning Glass International Inc. (2014).

The area's economic indicators are positive, suggesting job growth will return in the coming months. New unemployment insurance claims declined by nearly 8.0 percent, and the rate of new dwelling units was up by nearly 35 percent. As stated earlier, the residential construction news reported on contracts for the building of hundreds of new apartment units, but there was no mention of single-family homes.

**Grand Rapids–Wyoming MSA**  
(seasonally adjusted)

Measure	2014 Q3	2014 Q2	% change, Q2 to Q3	2013 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	416,810	417,070	−0.1	401,810	3.7
Goods-producing	87,160	86,780	0.4	82,190	6.0
Construction and mining	16,490	16,320	1.0	14,580	13.1
Manufacturing	70,670	70,460	0.3	67,610	4.5
Durable goods	49,390	49,240	0.3	46,330	6.6
Nondurable goods	21,280	21,220	0.3	21,280	0.0
Private service–providing	297,120	298,420	−0.4	286,880	3.6
Trade, transportation, and utilities	72,950	72,360	0.8	71,590	1.9
Transportation and utilities	11,280	10,860	3.9	10,510	7.3
Wholesale trade	23,090	23,140	−0.2	22,730	1.6
Retail trade	38,580	38,360	0.6	38,350	0.6
Information	4,440	4,380	1.4	4,340	2.3
Financial activities	21,730	21,550	0.8	21,530	0.9
Professional and business services	68,770	71,660	−4.0	67,550	1.8
Educational and health services	71,770	71,990	−0.3	69,710	3.0
Leisure and hospitality	39,940	38,970	2.5	34,710	15.1
Other services	17,520	17,510	0.1	17,450	0.4
Government	32,530	31,870	2.1	32,740	−0.6
<b>Unemployment</b>					
Number unemployed	21,260	22,670	−6.2	27,120	−21.6
Unemployment rate (%)	5.1	5.4		6.8	
<b>Local indexes</b>					
UI initial claims	452	491	−7.9	610	−25.9
New dwelling units <sup>a</sup>	2,210	1,641	34.7	1,599	38.2

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

**Grand Rapids–Wyoming MSA**  
**Industry Employment Change by Place of Work, First Quarter to First Quarter**  
(not seasonally adjusted)

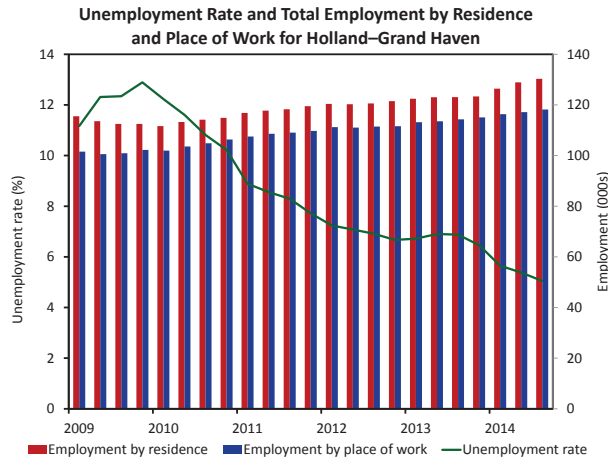
Industry	2014 Q1	2013 Q1	Percent change	Industry	2014 Q1	2013 Q1	Percent change
<b>Goods-producing</b>				Health care and social assistance	57,300	55,100	4.0
Food manufacturing	6,560	6,950	−5.6	Ambulatory health care services	16,940	17,220	−1.6
Chemical manufacturing	3,590	3,340	7.5	Hospitals	24,220	23,240	4.2
Plastics and rubber products mfg.	7,300	6,800	7.4	Arts, entertainment, and recreation	3,710	3,980	−6.8
Fabricated metal products mfg.	7,210	7,010	2.9	Accommodation and food services	28,530	28,120	1.5
Machinery manufacturing	9,560	9,090	5.2	Food services and drinking places	25,650	25,460	0.7
Transportation equipment mfg.	14,840	13,080	13.5	<b>Government</b>			
Furniture and related products mfg.	5,840	5,760	1.4	Federal government	2,980	3,060	−2.6
<b>Private service–providing</b>				State government	2,890	3,070	−5.9
Professional and technical services	15,590	15,730	−0.9	Local government	26,100	26,070	0.1
Administrative and support services	47,100	45,850	2.7				
Educational services	10,270	9,300	10.4				

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.



## Employment Growth across All Sectors

Total employment grew by 0.9 percent in the third quarter. The quarter's employment gains pushed the area's unemployment rate down to an even 5.0 percent. The area's economic indicators were positive, suggesting continued job growth in the coming months.



Employment is up by both place of work and place of residence in Ottawa County, as shown in the figure above. Employment by place of residence, after remaining flat in 2013, has grown faster than employment by place of work in 2014. Employment by place of work has grown slowly but steadily for the past two years. The gain in residential employment pushed the unemployment rate down to 5.0 percent, its lowest point since 2005.

Goods-producing employment had a robust quarter, growing 1.5 percent. Jobs in construction were up by more than 200 workers, a 4.6 percent gain over the quarter. Manufacturing employment increased by nearly 400 jobs. Demand for workers was strong enough that several job fairs in manufacturing alone were needed to fill all the positions. A Michigan Works! event in September sought to fill nearly 100 positions at Magna Mirrors, Stratosphere Quality, and the Stow Company. LG Chem Michigan Inc. held a job fair to hire workers for 40 positions to produce batteries for the Chevy Volt. In November, Herman Miller held a recruiting event to hire 50 employees in manufacturing and material-handling positions. Eagle Design and Technology is expanding in Zeeland. However, Visteon, an electronics manufacturer, laid off 50 employees.

Private service-providing employment grew by only 0.4 percent; however, there was growth in most of the industries in the sector. Leisure and hospitality, financial activities, and other services all grew by at least 2.0 percent. However, employment in retail trade and professional and business services declined over the quarter. The professional and business services sector contains temporary staffing agencies, and so, in the best-case scenario, the decline could be from temporary workers being hired outright. Additionally, at the

previously mentioned Michigan Works! event, 20 openings were available for Alliance Healthcare Solutions.

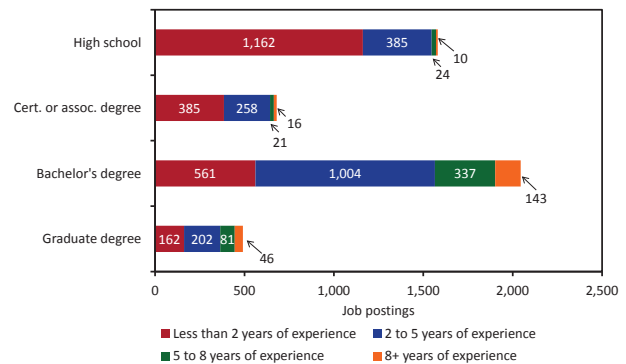
Government employment grew by 0.9 percent and is up 1.3 percent from the same period in 2013.

Starting with this issue, each quarter we will be focusing on a different aspect of online job postings. This quarter, the figure from Burning Glass Labor/Insight shows labor demand by educational attainment and experience. Opportunities were greatest for those holding a bachelor's degree, as there were more than 2,000 jobs for bachelor's degree holders in the past year, or 43 percent of all postings. Jobs requiring at least some sort of postsecondary training made up over 67 percent of the postings. Postings requiring a graduate degree made up the smallest category.

Opportunities for entry-level workers, those having less than two years of experience, were highest for jobs requiring a high school degree only. In fact, the sum of all entry-level jobs requiring postsecondary training came up just short of the total for high-school degree holders.

Unfortunately, the sample is missing 46 percent of postings owing to a lack of information on either education, experience, or both. Not all job postings may need specific requirements, but, without more information, job seekers and employers may not find the best fit.

**Education and Experience Requirements as Specified in Job Postings, Q4 2013 through Q3 2014, Holland–Grand Haven MSA**



SOURCE: Burning Glass International Inc. (2014).

The short-term employment outlook is positive, as the area's economic indicators were up. New unemployment insurance claims declined by 4.7 percent, while the rate of new dwelling units picked up by 7.0 percent.

**Holland–Grand Haven MSA**  
(seasonally adjusted)

Measure	2014 Q3	2014 Q2	% change, Q2 to Q3	2013 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	118,020	117,020	0.9	114,220	3.3
Goods-producing	40,480	39,870	1.5	38,540	5.0
Construction and mining	4,990	4,770	4.6	4,500	10.9
Manufacturing	35,490	35,100	1.1	34,040	4.3
Private service–providing	61,120	60,880	0.4	59,470	2.8
Trade, transportation, and utilities	16,810	16,920	–0.7	16,980	–1.0
Retail trade	9,350	9,410	–0.6	9,480	–1.4
Information	700	690	1.4	700	0.0
Financial activities	3,790	3,700	2.4	3,700	2.4
Professional and business services	13,000	13,170	–1.3	12,150	7.0
Educational and health services	11,540	11,470	0.6	11,310	2.0
Leisure and hospitality	10,750	10,490	2.5	10,000	7.5
Other services	4,530	4,440	2.0	4,630	–2.2
Government	16,420	16,270	0.9	16,210	1.3
<b>Unemployment</b>					
Number unemployed	6,950	7,330	–5.2	9,080	–23.5
Unemployment rate (%)	5.0	5.4		6.9	
<b>Local indexes</b>					
UI initial claims	183	192	–4.7	263	–30.4
New dwelling units <sup>a</sup>	1,051	982	7.0	835	25.9

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

**Holland–Grand Haven MSA**  
**Industry Employment Change by Place of Work, First Quarter to First Quarter**  
(not seasonally adjusted)

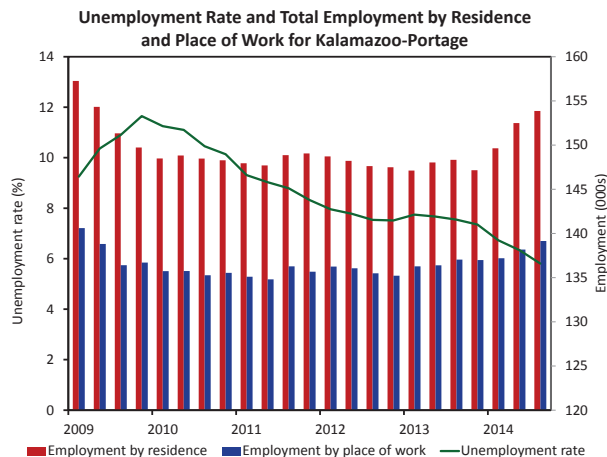
Industry	2014 Q1	2013 Q1	Percent change	Industry	2014 Q1	2013 Q1	Percent change
<b>Goods-producing</b>				Health care and social assistance	8,300	8,260	0.5
Food manufacturing	3,720	3,390	9.7	Ambulatory health care services	3,270	3,460	–5.5
Fabricated metal products mfg.	5,560	5,150	8.0	Arts, entertainment, and recreation	650	640	1.6
Machinery manufacturing	2,500	2,300	8.7	Accommodation and food services	8,720	8,530	2.2
Transportation equipment mfg.	4,730	4,810	–1.7	Food services and drinking places	8,140	8,000	1.8
Furniture and related products mfg.	5,260	4,990	5.4	<b>Government</b>			
<b>Private service–providing</b>				Federal government	390	400	–2.5
Professional and technical services	3,410	3,370	1.2	State government	3,350	3,160	6.0
Administrative and support services	7,530	7,230	4.1	Local government	10,450	10,290	1.6
Educational services	2,170	2,100	3.3				

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.



## Solid Growth in Spite of Service-Sector Doldrums

*Employment in the Kalamazoo-Portage MSA improved by 0.7 percent over the quarter, while the unemployment rate dropped to 5.8 percent. The area's economic indicators are mixed, suggesting little change in the coming months.*



In the Kalamazoo metropolitan area, there are about 15,000 more employed residents than total jobs, as shown in the figure above. The number of employed residents increased by 3.7 percent during the past four quarters, while employment in the county grew by only 1.5 percent. The increase in the number of employed residents pushed the area's unemployment rate down from 7.5 percent in the third quarter of last year to 5.8 percent in the third quarter of this year. This is the lowest rate since early 2008, just as the Great Recession was starting.

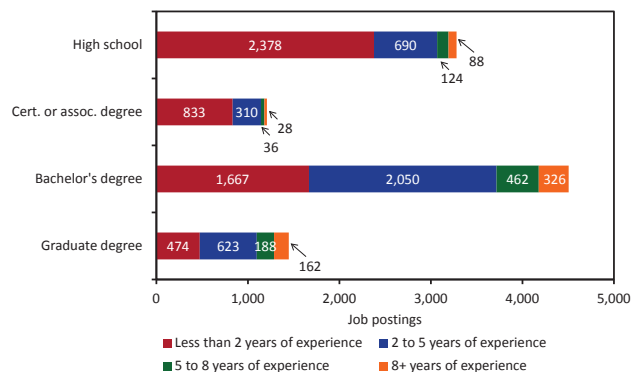
Goods-producing employment improved by 1.4 percent, with reported gains in construction and manufacturing. Durable goods manufacturing led the way with a 1.9 percent increase, or over 200 jobs. The news is positive in manufacturing—two of Kalamazoo's larger employers announced expansions this quarter: Summit Polymers plans to add 198 jobs across its Portage, Vicksburg, and Sturgis locations, and Stryker will add another 10 jobs after having been granted a nine-year tax break from the city of Portage. Nondurable goods production improved as well, posting a 1.0 percent gain, or 80 jobs, in the third quarter.

Service-providing employment had virtually no change in the third quarter: the sector declined by 20 jobs, which is less than a 0.1 percent change. Employment gains occurred in trade, transportation, and utilities; information; and other services, while employment declined in professional and business services by 1.2 percent. Both the leisure and hospitality sector and the education and health services sector were flat in the third quarter, posting 0.1 percent declines. While the past year has seen five new brewpubs open in Kalamazoo, Bell's Brewery has not been resting. The largest brewery in Kalamazoo will be expanding its Eccentric Café into a full-service restaurant, adding 100 employees in 2015.

Starting with this issue, each quarter we will be changing which aspect of online job postings we discuss. This quarter, the figure from Burning Glass Labor/Insight shows labor demand by educational attainment and experience. The majority of online postings were for positions requiring at least a four-year degree. Not surprisingly, the most opportunities for entry-level workers (i.e., workers in jobs requiring less than two years of experience) are in positions calling for no more than a high school degree. However, there are nearly 1,700 jobs requiring a four-year degree or higher for those with under two years of experience.

Unfortunately, this sample of job postings misses 55 percent of the year's postings because these postings lack information on the education or experience requirements of the positions. Some positions may not have requirements for specific skills, but when not all information is made available in job postings, it becomes difficult for job seekers to find jobs matching their skills, and it may make the process difficult as well for employers, who will receive applications from unqualified or overqualified applicants.

**Education and Experience Requirements as Specified in Job Postings, Q4 2013 through Q3 2014, Kalamazoo-Portage MSA**



SOURCE: Burning Glass International Inc. (2014).

Government employment had a robust quarter, gaining 3.0 percent, or 650 jobs. The public sector had not seen a gain of that magnitude since 2009. However, this growth in government employment may quickly reverse itself, as the U.S. Postal Service plans to close the Oshtemo Township processing facility in a consolidation move that would mean the loss of 150 local jobs. The cuts had been slated for 2012 but were temporarily put on hold. The Postal Service now plans to move ahead with the consolidation in 2015.

The area's economic indicators are mixed; new unemployment insurance claims are essentially unchanged, while the rate of new dwelling units increased over the quarter. The indicators suggest job growth will be flat in the coming months.

**Kalamazoo-Portage MSA**  
(seasonally adjusted)

Measure	2014 Q3	2014 Q2	% change, Q2 to Q3	2013 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	139,180	138,210	0.7	137,290	1.4
Goods-producing	24,610	24,270	1.4	24,180	1.8
Construction and mining	4,880	4,830	1.0	4,570	6.8
Manufacturing	19,730	19,440	1.5	19,610	0.6
Durable goods	11,520	11,310	1.9	11,300	1.9
Nondurable goods	8,210	8,130	1.0	8,310	-1.2
Private service-providing	92,520	92,540	0.0	91,790	0.8
Trade, transportation, and utilities	23,920	23,760	0.7	23,990	-0.3
Transportation and utilities	3,500	3,410	2.6	3,330	5.1
Wholesale trade	6,160	6,150	0.2	6,130	0.5
Retail trade	14,260	14,200	0.4	14,530	-1.9
Information	980	940	4.3	950	3.2
Financial activities	8,040	8,050	-0.1	8,170	-1.6
Professional and business services	15,440	15,620	-1.2	15,240	1.3
Educational and health services	22,350	22,380	-0.1	22,380	-0.1
Leisure and hospitality	15,930	15,940	-0.1	15,300	4.1
Other services	5,860	5,850	0.2	5,760	1.7
Government	22,050	21,400	3.0	21,320	3.4
<b>Unemployment</b>					
Number unemployed	9,540	10,350	-7.8	12,130	-21.4
Unemployment rate (%)	5.8	6.3		7.5	
<b>Local indexes</b>					
UI initial claims	162	161	0.6	203	-20.2
New dwelling units <sup>a</sup>	592	498	18.9	550	7.6

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup>Seasonally adjusted annual rates; does not include Van Buren County dwelling permit data.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

**Kalamazoo-Portage MSA**  
**Industry Employment Change by Place of Work, First Quarter to First Quarter**  
(not seasonally adjusted)

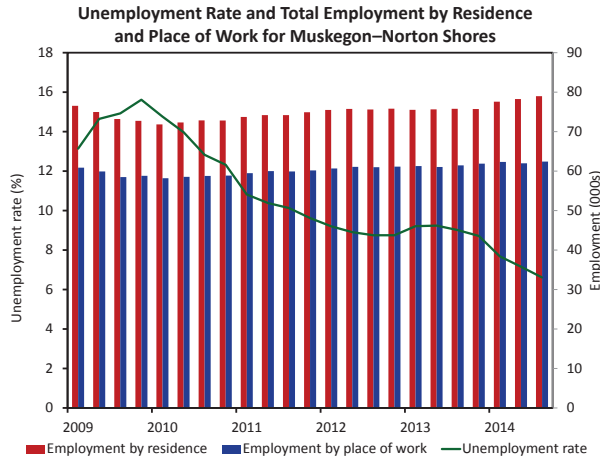
Industry	2014 Q1	2013 Q1	Percent change	Industry	2014 Q1	2013 Q1	Percent change
<b>Goods-producing</b>				Health care and social assistance	19,180	19,190	-0.1
Food manufacturing	1,430	1,400	2.1	Ambulatory health care services	6,310	6,330	-0.3
Paper manufacturing	1,720	1,760	-2.3	Hospitals	6,700	7,920	-15.4
Fabricated metal products mfg.	1,690	1,660	1.8	Arts, entertainment, and recreation	1,490	1,510	-1.3
Machinery manufacturing	2,270	2,250	0.9	Accommodation and food services	12,750	12,830	-0.6
Transportation equipment mfg.	1,950	1,850	5.4	Food services and drinking places	11,450	11,440	0.1
<b>Private service-providing</b>				<b>Government</b>			
Professional and technical services	5,150	5,560	-7.4	Federal government	860	920	-6.5
Administrative and support services	8,090	7,290	11.0	State government	4,240	4,270	-0.7
Educational services	2,050	2,310	-11.3	Local government	12,570	12,680	-0.9

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.

# MUSKEGON-NORTON SHORES MSA

## Employment Conditions Improve Despite the Area's Service Sector Stalling

*Total employment in Muskegon improved by 0.6 percent, and the unemployment rate dropped to 6.6 percent. The area's economic indicators are mixed, suggesting little change in the coming months.*



In the third quarter, the number of employed residents in Muskegon County outnumbered the number of persons employed in the county by 16,500, or 27 percent. Clearly, the county's economy is dependent upon the vitality of its neighbors, as many of its residents commute out of the county to work. From the third quarter of last year to the third quarter of this year, employment for county residents grew by 4.3 percent, while county employment increased by only 1.5 percent. The strong growth in residential employment pushed the county's unemployment rate down to 6.6 percent from 9.0 percent in the third quarter of last year.

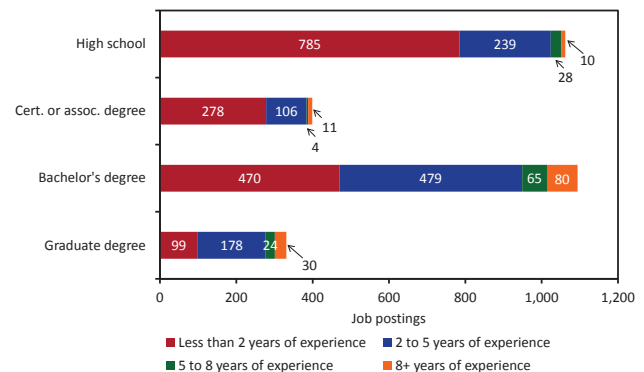
Goods-producing employment grew by 1.0 percent on the strength of gains in construction. In spite of a decline in the rate of new dwelling units, construction employment increased by 4.3 percent over the quarter. Manufacturing posted a modest gain of 0.5 percent, or 70 jobs, over the quarter. Manufacturing news is positive, if not extensive. Versatile Fabrication is adding 15 jobs in Muskegon Heights at the former Lift-Tech site. KL Industries is adding 50 employees because of increased demand for the kayaks it manufactures. Alcoa Power and Propulsion (APP) has relocated its headquarters from Cleveland, Ohio, to Whitehall; the specific size of the workforce to be relocated has not been announced. APP currently employs 2,150 workers in Whitehall.

The service-providing sector had a rough quarter. Only a 3.0 percent growth in educational and health services offset the declines in every other service-sector industry. Even though many industries had a difficult quarter, the sector grew by 2.4 percent from the same quarter in 2013. Reflecting the seasonality of the county's economy, Boatyard BBQ has closed after being open for only four months. While business was strong during the summer, the seasonal downturn proved too much for the long-term viability of the restaurant.

Government employment picked up by 2.5 percent, although public-sector employment remains 4.3 percent below the same period in 2013. The city of Muskegon is adding three full-time firefighters, the first additions to the fire department in over a decade. Muskegon County has proposed the elimination of 16 positions across various departments.

Starting with this issue, each quarter we will be changing which aspect of online job postings we discuss. This quarter, the figure from Burning Glass Labor/Insight has changed to show demand by educational attainment and experience from the fourth quarter of 2013 through the third quarter of 2014. Educational demand was divided nearly evenly between postings requiring only a high school degree and postings requiring a bachelor's degree. Muskegon had a lot of opportunities for entry-level workers, as over 55 percent of all postings required two years or less of experience. However, of the postings requiring a bachelor's degree, there were fewer opportunities for persons new to the workforce: just over 37 percent of postings were entry-level for those with a four-year degree. Unfortunately, 48 percent of job postings in the area over the past year do not have any educational or experience demands and thus are missing from the sample. This lack of information may be contributing to the skills mismatch many companies are experiencing in the hiring process.

**Education and Experience Requirements as Specified in Job Postings, Q4 2013 through Q3 2014, Muskegon-Norton Shores MSA**



SOURCE: Burning Glass International Inc. (2014).

The area's economic indicators were mixed during the quarter, suggesting lackluster conditions in the coming months. New unemployment insurance claims declined by 7.0 percent over the quarter and are down nearly 32 percent from the previous year. However, the rate of new dwelling units declined by 20.6 percent over the quarter, in spite of increases in construction employment.

**Muskegon–Norton Shores MSA**  
(seasonally adjusted)

Measure	2014 Q3	2014 Q2	% change, Q2 to Q3	2013 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	62,320	61,970	0.6	61,410	1.5
Goods-producing	14,860	14,710	1.0	14,580	1.9
Construction and mining	1,950	1,870	4.3	1,860	4.8
Manufacturing	12,910	12,840	0.5	12,720	1.5
Private service–providing	40,180	40,160	0.0	39,220	2.4
Trade, transportation, and utilities	12,740	12,870	–1.0	12,770	–0.2
Retail trade	10,130	10,240	–1.1	10,130	0.0
Information	790	800	–1.3	790	0.0
Financial activities	1,920	1,980	–3.0	1,880	2.1
Professional and business services	3,150	3,220	–2.2	3,210	–1.9
Educational and health services	12,010	11,660	3.0	11,330	6.0
Leisure and hospitality	7,050	7,060	–0.1	6,660	5.9
Other services	2,520	2,570	–1.9	2,580	–2.3
Government	7,280	7,100	2.5	7,610	–4.3
<b>Unemployment</b>					
Number unemployed	5,600	6,020	–7.0	7,510	–25.4
Unemployment rate (%)	6.6	7.2		9.0	
<b>Local indexes</b>					
UI initial claims	173	186	–7.0	254	–31.9
New dwelling units <sup>a</sup>	135	170	–20.6	173	–22.0

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

**Muskegon–Norton Shores MSA**  
**Industry Employment Change by Place of Work, First Quarter to First Quarter**  
(not seasonally adjusted)

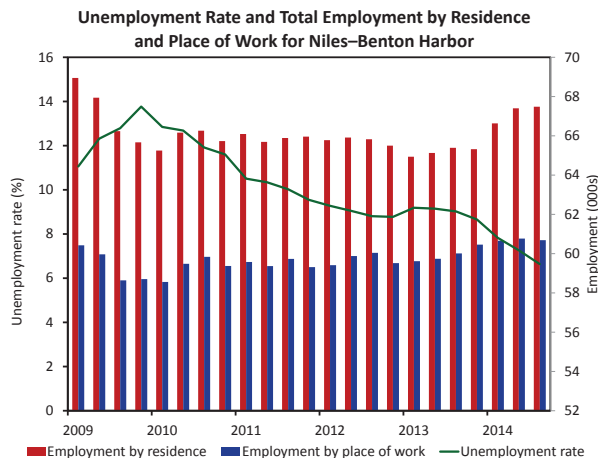
Industry	2014 Q1	2013 Q1	Percent change	Industry	2014 Q1	2013 Q1	Percent change
<b>Goods-producing</b>				Health care and social assistance	9,940	10,000	–0.6
Primary metal manufacturing	3,790	3,750	1.1	Ambulatory health care services	3,180	3,500	–9.1
Fabricated metal products mfg.	2,780	2,680	3.7	Arts, entertainment, and recreation	710	700	1.4
Machinery manufacturing	1,450	1,360	6.6	Accommodation and food services	5,470	5,400	1.3
Transportation equipment mfg.	980	980	0.0	Food services and drinking places	5,170	5,110	1.2
<b>Private service–producing</b>				<b>Government</b>			
Professional and technical services	1,020	1,050	–2.9	Federal government	340	330	3.0
Administrative and support services	2,420	2,170	11.5	State government	890	870	2.3
Educational services	810	760	6.6	Local government	6,260	6,440	–2.8

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.

— = data not available.

## Declines in Services and Government Push Employment Down

*Employment in the Niles–Benton Harbor MSA declined by 0.3 percent in the third quarter. In spite of the employment decline, the county's unemployment rate fell to 6.6 percent from 7.3 percent in the previous quarter. The area's economic indicators are mixed, suggesting little improvement in the coming months.*



As shown in the figure above, during the third quarter the number of employed residents is 11 percent greater than the number of individuals working in the county. Moreover, starting in the first quarter of 2014, employment by place of residency has increased faster than employment by place of work. The growing separation suggests that more Berrien County residents are finding work outside the county. In the third quarter, employment by residency held steady, while employment by place of work declined slightly.

Goods-producing employment increased slightly in the third quarter, adding 30 jobs, or 0.2 percent. In St. Joseph, eight new computer-numeric-controlled (CNC) machinists were hired at Kay Manufacturing, with 15 more to follow in 2015. August Pohl Auto Parts in Benton Harbor is expanding to establish an auto salvage yard in Berrien Springs and will employ 19 workers at that location, with more to come in the near future. Lakeshore Die Cast in Baroda is adding one to two employees following an expansion into a larger warehouse and receipt of a tax break from the village.

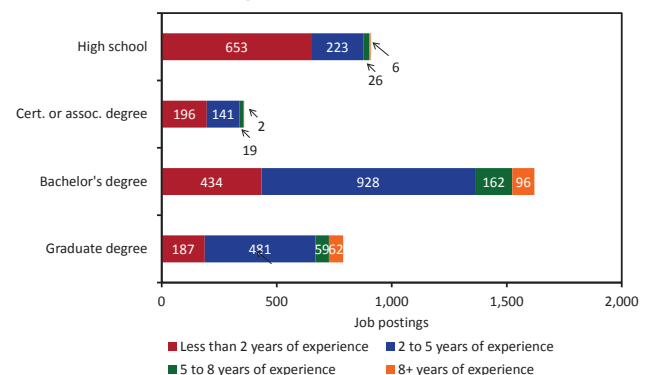
Employment in the area's service-providing sector remained essentially unchanged, posting a 0.1 percent decline, or just 40 jobs. Industries in the sector had a mixed quarter, with declines in retail, professional and business services, education and health, and other services. Financial activities and the hospitality industry helped offset the declines somewhat, posting respective gains of 0.9 percent and 0.7 percent. De Groot Nursery in Coloma Township announced an expansion that will add 12 jobs following an estimated \$1 million investment in its business.

Government employment had a rough quarter, dropping nearly 2.0 percent. Public-sector employment is down 0.5 percent from the same time in 2013.

Starting with this issue, each quarter we will be changing which aspect of online job postings we discuss. This quarter, the figure from Burning Glass Labor/Insight was changed to show demand by educational attainment and experience from the fourth quarter of 2013 through the third quarter of 2014. In the Niles–Benton Harbor MSA, bachelor's degrees are the most requested level of educational attainment in job postings, accounting for over 44 percent of all postings. Graduate degrees make up over 21 percent of the online postings. For positions requiring at least a four-year degree, most also require at least two or more years of experience. The greatest number of entry-level positions requiring less than two years of experience—653—are found for jobs requiring a high school degree only. Entry-level positions requiring at least some postsecondary training exceed those that require only a high school degree by more than 200 jobs.

Note, however, that these data are from a sample of online postings, and that 70 percent of postings are missing any data on required educational qualifications. While some jobs may be self-explanatory, such as the job of registered nurse, it is troubling that job seekers are not given an indication of the required level of education for nearly three-quarters of online posted jobs.

**Education and Experience Requirements as Specified in Job Postings, Q4 2013 through Q3 2014, Niles–Benton Harbor MSA**



SOURCE: Burning Glass International Inc. (2014).

The area's economic indicators were mixed, though the changes are very slight, suggesting little change in the area's economy in the coming months. Initial unemployment insurance claims were up by 1.8 percent. The rate of new dwelling units under contract for construction picked up to an annualized rate of 171, up 5.6 percent from the previous quarter. Curiously, the direction of both indicators is the opposite of what it was at the same time in 2013. Initial UI claims are down, but the rate of new houses is also down from last year.



**Niles–Benton Harbor MSA**  
(seasonally adjusted)

Measure	2014 Q3	2014 Q2	% change, Q2 to Q3	2013 Q3	% change, Q3 to Q3
<b>Employment (by place of work)</b>					
Total nonfarm employment	60,530	60,710	−0.3	59,940	1.0
Goods-producing	14,120	14,090	0.2	14,030	0.6
Construction and mining	1,760	1,750	0.6	1,760	0.0
Manufacturing	12,360	12,340	0.2	12,270	0.7
Private service-providing	37,720	37,760	−0.1	37,180	1.5
Trade, transportation, and utilities	10,770	10,730	0.4	10,510	2.5
Retail trade	6,460	6,540	−1.2	6,530	−1.1
Information	500	500	0.0	500	0.0
Financial activities	2,330	2,310	0.9	2,330	0.0
Professional and business services	5,920	5,930	−0.2	5,720	3.5
Educational and health services	8,580	8,700	−1.4	9,190	−6.6
Leisure and hospitality	7,310	7,260	0.7	6,590	10.9
Other services	2,310	2,330	−0.9	2,340	−1.3
Government	8,690	8,860	−1.9	8,730	−0.5
<b>Unemployment</b>					
Number unemployed	4,780	5,270	−9.3	6,460	−26.0
Unemployment rate (%)	6.6	7.3		9.0	
<b>Local indexes</b>					
UI initial claims	111	109	1.8	135	−17.8
New dwelling units <sup>a</sup>	171	162	5.6	184	−7.1

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and on employment data from the Michigan Department of Energy, Labor, and Economic Growth.

**Niles–Benton Harbor MSA**  
**Industry Employment Change by Place of Work, First Quarter to First Quarter**  
(not seasonally adjusted)

Industry	2014 Q1	2013 Q1	Percent change	Industry	2014 Q1	2013 Q1	Percent change
<b>Goods-producing</b>				Health care and social assistance	7,050	7,410	−4.9
Primary metal manufacturing	1,160	1,040	11.5	Ambulatory health care services	2,290	2,390	−4.2
Fabricated metal products mfg.	1,770	1,790	−1.1	Arts, entertainment, and recreation	530	470	12.8
Machinery manufacturing	1,550	1,530	1.3	Accommodation and food services	5,420	5,030	7.8
Transportation equipment mfg.	1,220	1,130	8.0	Food services and drinking places	4,850	4,510	7.5
<b>Private service-providing</b>				<b>Government</b>			
Professional and technical services	1,370	1,490	−8.1	Federal government	300	300	0.0
Administrative and support services	4,060	3,950	2.8	State government	330	340	−2.9
Educational services	1,350	1,350	0.0	Local government	8,010	7,810	2.6

SOURCE: Michigan Department of Energy, Labor, and Economic Growth, QCEW/ES-202 data.

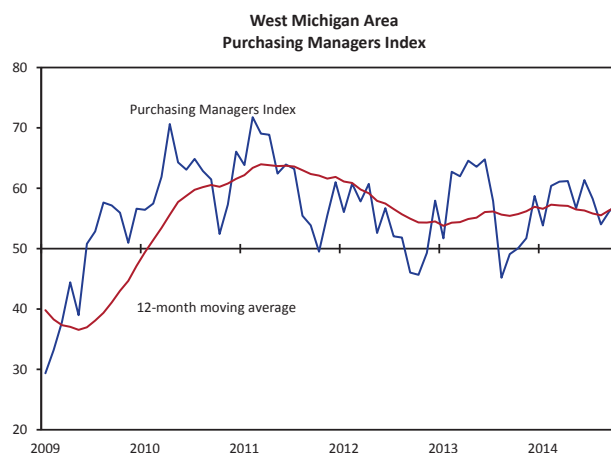
— = data not available.

## PURCHASING MANAGERS INDEX

The Purchasing Managers Index slowed at the end of summer but has picked up for fall, according to Brian Long, director of Supply Chain Management Research at Grand Valley State University. The overall index stood at 56.1 in September 2014. Traditionally the index begins to fall at the end of the year, but so far the decline is not as steep as for the past two years.

The Purchasing Managers Survey has been tracking growth in new orders and production since the beginning of the year, but employment had not grown accordingly until recently. In the September survey, employment hit a three-year high.

Many of the survey comments and the trend line in the figure indicate business conditions are steady but not booming. None of the major industries in west Michigan were “experiencing any significant difficulties,” Long said. Even negative comments are not very negative—for example, “Business is good, but has slowed some from earlier this quarter.” The index has been moderating between the mid-50s and low 60s for the past year, meaning that growth is at a sustainable pace, reflecting a stable manufacturing sector.



## MAJOR ECONOMIC DEVELOPMENTS

### Battle Creek MSA

Denso hired 150 temporary workers. Cosma Casting Michigan is moving to the unused United Solar Ovonic site and plans to hire 80 workers over the next year.

Starr Commonwealth is reorganizing its Albion campus and eliminating 80 jobs.

### Grand Rapids–Wyoming MSA

Dicastal North American, InGlass USA, and Plasan Carbon Composites have all announced multiyear expansion plans. The firms have announced, respectively, the creation of 300, 109, and 620 jobs over the next two to three years. Profile Industrial Packaging and Compositech have each added 50 jobs to their workforces. Not all news was positive, however, as Dematic laid off 75 workers.

In information technology (IT), Data Strategy is adding 10 to 15 jobs and SalesPad has hired 25 new sales associates. Teleperformance announced 100 new call center positions.

### Holland–Grand Haven MSA

A Michigan Works! job fair was held to fill 100 positions at Magna Mirrors, Stratosphere Quality, and the Stow Company. LG Chem Michigan and Herman Miller also

held events to hire 40 and 50 workers, respectively. Visteon laid off 50 electronics manufacturing workers.

### Kalamazoo–Portage MSA

Summit Polymers is adding nearly 200 jobs at the company's various locations in Kalamazoo County.

Bell's Brewery is turning its tasting room/café into a full-service restaurant, adding 100 employees in 2015.

### Muskegon–Norton Shores MSA

Versatile Fabrication is expanding, adding 15 employees. K.L. Industries' kayaks are selling well, and the company is adding 50 employees to meet the demand. Another boat producer, Ameriform, is adding 60 workers as part of a \$7.5 million expansion.

Alcoa Power and Propulsion is relocating its headquarters from Cleveland, Ohio, to Whitehall.

### Niles–Benton Harbor MSA

August Pohl Auto Parts will add 19 workers as it expands its business into vehicle demolition.

Lakeshore Die Cast is expanding to a larger facility and adding one to two new employees.







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